

Kennecott Utah Copper
4700 Daybreak Parkway
South Jordan, Utah 84095
801-569-7128 (o)
801-569-7192 (f)

Kelly L. Payne, P.G.
Manager - Environment

29 November 2011

VIA US MAIL AND EMAIL

Mr. Paul Baker
Division of Oil, Gas & Mining
Utah Department of Natural Resources
P.O. Box 145801
Salt Lake City, Utah 84114-5801

Subject: M/035/015, Notice of Surety Escalation, Request for Modification

Dear Mr. Baker:

Division of Oil, Gas & Mining
Utah Department of Natural Resources
P.O. Box 145801
Salt Lake City, Utah 84114 - 5801

Kennecott Utah Copper LLC (KUC) is in receipt of your letter dated October 5, 2011. KUC understands and agrees that a surety adjustment is in order and concurs that the escalated surety is required by December 20, 2011. KUC does not believe it is possible to satisfy the Division's request for a complete surety re-calculation, formatting, and adjustment by December 5, 2011.

Therefore, given the impending submittal of the NOI to revise M/035/0015 for the North Tailing Impoundment expansion project (TEP), KUC requests the following consideration for this escalation:

- KUC will escalate and provide to the Division by December 5, 2011, the existing M/035/0015 value of \$US 20,374,600 (Surety Bond Zurich American Insurance & Fidelity & Deposit Company, Maryland #09035372) from 2011 through 2016 at the UDOGM-provided escalation factor of 1.017% per year for five years (W. Western 2011.11.14)
- KUC will prepare and submit, with the TEP NOI revision in 2012, a revised reclamation surety on Division forms

Please contact me or Glenn Eurick (801.204.2113) should you have any questions concerning this request.

Regards,



Kelly L. Payne, P.G.
Manager - Environment

cc: Ms. Leslie Heppler, UDOGM, by email

M/035/0015
cc: Leslie
Task: 4424

RECEIVED

NOV 29 2011

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